

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BEAR CREEK TOWNSHIP	County EMMET
Fiscal Year End MARCH 31, 2007	Opinion Date JUNE 15, 2007	Date Audit Report Submitted to State SEPTEMBER 9, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

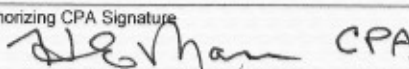
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) MASON & KAMMERMAN, PC		Telephone Number (231) 547-4911		
Street Address 110 PARK AVENUE		City CHARLEVOIX	State MI	Zip 49720
Authorizing CPA Signature  CPA		Printed Name HUGH E MASON, CPA		License Number 1101008161

BEAR CREEK TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2007

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Bear Creek Township

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund	
Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balance	16
Statement of Cash Flows	17
Fiduciary Fund	
Statement of Net Assets	18
Statement of Changes in Net Assets	19
Notes to Financial Statements	20-30

Bear Creek Township

Table of Contents

Required Supplementary Information

Budgetary Comparison Schedules:

General Fund	31-33
Fire Fund	34
Building Inspection Fund	35

Other Supplementary Information

Nonmajor Funds Balance Sheet	36
Nonmajor Funds Statement of Revenues, Expenditures and Changes in Fund Balances	37
Statement of Tax Levy and Collections	38

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

INDEPENDENT AUDITOR'S REPORT

June 15, 2007

Members of the Township Board
Bear Creek Township
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bear Creek Township of Petoskey, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Bear Creek Township as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bear Creek Township
Independent Auditor's Report
June 15, 2007

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 31 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bear Creek Township's basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mason & Kammermann PC

Mason & Kammermann, P.C.
Certified Public Accountants

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

This section of Bear Creek Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2007.

Financial Highlights

- At the end of the fiscal year, the Township had a \$417,083 increase in net assets for governmental activities.
- The Township's Sewer Fund net assets increased by \$460,383.
- The Township's Building Inspection Fund had an increase of \$79,154 in its fund balance.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are formatted to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Bear Creek Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Bear Creek Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bear Creek Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, using the full accrual basis of accounting.

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Bear Creek Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Bear Creek Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bear Creek Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Building Inspection Fund, which are considered to be major funds. The Liquor Fund and Light District Fund are considered nonmajor funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its governmental funds and Special Revenue Funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that of proprietary funds.

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of March 31, 2007 and 2006:

Net Assets March 31, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current assets	\$ 2,953,914	\$ 2,446,772	\$1,774,848	\$ 1,069,921	\$ 4,728,762	\$ 3,516,693
Noncurrent assets						
Capital assets, net	2,188,091	2,280,238	-	-	2,188,091	2,280,238
Investment in joint venture	-	-	557,426	758,636	557,426	758,636
Total assets	5,142,005	4,727,010	2,332,274	1,828,557	7,474,279	6,555,567
<u>Liabilities and Net Assets</u>						
Current liabilities	10,655	12,743	53,881	10,547	64,536	23,290
Net assets						
Invested in capital assets, net	2,188,091	2,280,238	-	-	2,188,091	2,280,238
Restricted	286,137	252,247	-	-	286,137	252,247
Unrestricted	2,657,122	2,181,782	2,278,393	1,818,010	4,935,515	3,999,792
Total net assets	\$ 5,131,350	\$ 4,714,267	\$2,278,393	\$ 1,818,010	\$ 7,409,743	\$ 6,532,277

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

Net assets for the Township total \$7,409,743. Net assets totaling \$286,137 are restricted for public safety activities. The Township has \$2,657,122 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The following table shows how activities affected changes in net assets during the fiscal year and the prior year.

Change in Net Assets For the Years Ended March 31, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues						
Charges for services	\$ 259,550	\$ 311,922	\$ 1,321,416	\$1,274,794	\$ 1,580,966	\$ 1,586,716
Capital grants and contributions	140,827	59,315	-	-	140,827	59,315
General Revenues:						
Property taxes	882,709	790,015	-	-	882,709	790,015
Administrative fees	131,364	100,813	-	-	131,364	100,813
State shared revenues	368,254	363,743	-	-	368,254	363,743
Interest	76,729	61,975	19,843	12,974	96,572	74,949
Refunds	41,730	2,949	-	-	41,730	2,949
Other	2,910	14,769	-	-	2,910	14,769
Total Revenues	1,904,073	1,705,501	1,341,259	1,287,768	3,245,332	2,993,269
Expenses:						
Legislative	251,972	295,662	-	-	251,972	295,662
General government	286,525	258,408	-	-	286,525	258,408
Community/economic develop.	7,502	34,245	-	-	7,502	34,245
Public safety	487,940	471,484	-	-	487,940	471,484
Public works	395,621	516,150	880,876	830,974	1,276,497	1,347,124
Recreation and cultural	57,430	51,864	-	-	57,430	51,864
Total Expenses	1,486,990	1,627,813	880,876	830,974	2,367,866	2,458,787
Change in net assets	\$ 417,083	\$ 77,688	\$ 460,383	\$ 456,794	\$ 877,466	\$ 534,482

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

Revenue sources and changes

For the year ended March 31, 2007, revenue from all sources totaled \$3,245,332 of which \$1,904,073 was from governmental activities and \$1,341,259 was from business-type activities. Revenue from governmental activities consists primarily of \$882,709 from property taxes, \$368,254 from state revenue sharing and \$259,550 from charges for services. The millage rate for general operations was 1.9800 mills and .4950 mills for the fire department.

Expenses

Using the full accrual basis of accounting, the Township spent \$1,486,990 on governmental activities. This equates to 32.8% on public safety, 26.6% on public works, 19.3% on general government, 17% on legislative activities, 3.8% on culture and recreation and .5% on community and economic development.

Business-type Activity Highlights

Business-type activities show an increase in net assets of \$460,383 on revenues of \$1,341,259. The largest source of revenue was from charges for services, which represents about 98.5% of revenues for business-type activities.

Financial Analysis of the Township's Funds

At March 31, 2007, the Township's governmental funds reported combined cash of \$2,804,678, which is approximately \$440,980 more than last year.

Revenues in the General Fund exceeded expenditures by \$387,832, which was due to revenues exceeding budgeted amounts and road improvement expenditures being less than anticipated.

The Fire Fund had a \$32,183 increase in its fund balance this year. This was due to the collection of more property taxes and contributions than projected.

The Building Inspection Fund increased by \$79,154, due to permit revenue being greater than anticipated and expenses being less than expected.

The Liquor Control Fund had an increase of \$8,534, due to the amount of interest income earned for the year.

The Light District Fund increased its fund balance by \$1,527, due to more property taxes being collected than the actual street lighting expense.

Bear Creek Township

Management's Discussion & Analysis June 15, 2007

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Capital Assets

At fiscal year ended March 31, 2007, the Township has \$2,188,093 in capital assets, net of accumulated depreciation. During the year the Township invested \$7,444 in building improvements, \$9,674 in equipment and \$22,925 in fire equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, buildings and improvements, equipment, furniture and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of March 31, 2007.

Component Units

The Township's financial report includes reporting on separate legal entities for which the Township has some level of financial responsibility. These funds are shown in a separate column (Springvale – Bear Creek Sewage Disposal Authority) and blended with the Township's Fire Fund (Resort-Bear Creek Fire Department).

Known Factors Affecting Future Operations

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means possible reductions in state shared revenues for future years.

Requests for Information

This financial report is designed to provide a general overview of Bear Creek Township's finances for all those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Bear Creek Township, 373 N. Division Rd., Petoskey, MI 49770

Bear Creek Township

Statement of Net Assets March 31, 2007

	Governmental Activities	Business-Type Activities	Total	Component Unit
<u>Assets</u>				
Current Assets				
Cash and cash equivalents	\$ 2,804,678	\$ 1,523,630	\$ 4,328,308	\$ 36,589
Taxes receivable	72,831	7,415	80,246	-
Accounts receivable	-	203,665	203,665	41,626
Due from other governmental units	37,461	40,138	77,599	19,391
Due from other funds	38,944	-	38,944	-
Total current assets	2,953,914	1,774,848	4,728,762	97,606
Noncurrent Assets				
Capital assets	3,421,008	-	3,421,008	9,024,477
Less: accumulated depreciation	(1,232,917)	-	(1,232,917)	(4,934,571)
Investment in joint venture	-	557,426	557,426	-
Restricted and designated assets:				
Restricted assets, debt retirement	-	-	-	1,491,108
Designated assets, repair/replacement	-	-	-	117,134
Other assets, unamortized bond expenses	-	-	-	9,898
Total noncurrent assets	2,188,091	557,426	2,745,517	5,708,046
Total assets	5,142,005	2,332,274	7,474,279	5,805,652
<u>Liabilities and Net Assets</u>				
Current Liabilities				
Accounts payable	10,655	53,881	64,536	59,852
Due to other governmental units	-	-	-	40,138
Current portion of long-term debt	-	-	-	65,000
Liabilities payable from restricted assets	-	-	-	22,492
Total current liabilities	10,655	53,881	64,536	187,482
Long-term Liabilities				
Long-term debt, net of current portion	-	-	-	160,000
Due to other governmental units, net of current portion	-	-	-	1,202,600
Total long-term liabilities	-	-	-	1,362,600
Total liabilities	10,655	53,881	64,536	1,550,082
Net Assets				
Invested in capital assets, net	2,188,091	-	2,188,091	4,089,906
Restricted	286,137	-	286,137	40,616
Unrestricted	2,657,122	2,278,393	4,935,515	125,048
Total net assets	\$ 5,131,350	\$ 2,278,393	\$ 7,409,743	\$ 4,255,570

The accompanying notes are a part of the financial statements.

Bear Creek Township

Statement of Activities For The Year Ended March 31, 2007

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Governmental Activities:								
Legislative	\$ 251,972	\$ -	\$ -	\$ -	\$ (251,972)	\$ -	\$ (251,972)	\$ -
General government	286,525	-	-	-	(286,525)	-	(286,525)	-
Community/economic develop.	7,502	-	-	-	(7,502)	-	(7,502)	-
Public safety	487,940	259,550	-	140,827	(87,563)	-	(87,563)	-
Public works	395,621	-	-	-	(395,621)	-	(395,621)	-
Recreation and cultural	57,430	-	-	-	(57,430)	-	(57,430)	-
							-	
Total Government Activities	1,486,990	259,550	-	140,827	(1,086,613)	-	(1,086,613)	-
Business-type Activities								
Sewer	880,876	1,321,416	-	-	-	440,540	440,540	-
Total Primary Government	2,367,866	1,580,966	-	140,827	(1,086,613)	440,540	(646,073)	-
Component Units:								
Sewage Disposal Authority	\$ 814,174	\$ 545,957	\$ -	\$ -	-	-	-	(268,217)
General Revenues:								
Property taxes					882,709	-	882,709	-
Administrative fees					131,364	-	131,364	-
State shared revenues					368,254	-	368,254	-
Interest					76,729	19,843	96,572	5,208
Refunds					41,730	-	41,730	-
Other					2,910	-	2,910	56,104
Total general revenues					1,503,696	19,843	1,523,539	61,312
Change in net assets					417,083	460,383	877,466	(206,905)
Net Assets - April 1, 2006					4,714,267	1,818,010	6,532,277	4,462,475
Net Assets - March 31, 2007					\$ 5,131,350	\$ 2,278,393	\$ 7,409,743	\$ 4,255,570

The accompanying notes are a part of the financial statements.

Bear Creek Township

Governmental Funds Balance Sheet March 31, 2007

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Building Inspector</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,091,532	\$ 236,113	\$ 356,410	\$ 120,623	\$ 2,804,678
Due from other funds	38,944	-	-	-	38,944
Due from other governmental units	5,943	31,518	-	-	37,461
Taxes receivable	56,420	15,207	-	1,204	72,831
Total assets	<u>\$ 2,192,839</u>	<u>\$ 282,838</u>	<u>\$ 356,410</u>	<u>\$ 121,827</u>	<u>\$ 2,953,914</u>
 <u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	\$ 5,225	\$ 4,954	\$ -	\$ 476	\$ 10,655
Fund equity:					
Undesignated and unreserved	1,992,614	-	-	-	1,992,614
Designated:					
Building inspection	-	-	356,410	-	356,410
Liquor inspection	-	-	-	113,098	113,098
General sinking funds	195,000	-	-	-	195,000
Restricted:					
Fire protection	-	277,884	-	-	277,884
Light district	-	-	-	8,253	8,253
Total fund equity	<u>2,187,614</u>	<u>277,884</u>	<u>356,410</u>	<u>121,351</u>	<u>2,943,259</u>
Total liabilities & fund equity	<u>\$ 2,192,839</u>	<u>\$ 282,838</u>	<u>\$ 356,410</u>	<u>\$ 121,827</u>	<u>\$ 2,953,914</u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Governmental Funds Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2007

Total Fund Equity - Governmental Funds	\$ 2,943,259
--	--------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of capital assets	3,421,008
Accumulated depreciation	<u>(1,232,917)</u>
Total Net Assets - Governmental Activities	<u>\$ 5,131,350</u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For The Year Ended March 31, 2007

	<u>General</u>	<u>Fire Fund</u>	<u>Building Inspection Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$ 692,383	\$ 182,708	\$ -	\$ 7,618	\$ 882,709
Administration fees	131,364	-	-	-	131,364
Local contributions	59,900	80,927	-	-	140,827
State shared revenue	368,254	-	-	-	368,254
Licenses & fees	-	-	253,882	5,668	259,550
Refunds	41,730	-	-	-	41,730
Interest	68,561	1,805	2,279	4,084	76,729
Other	2,910	-	-	-	2,910
	<u>1,365,102</u>	<u>265,440</u>	<u>256,161</u>	<u>17,370</u>	<u>1,904,073</u>
Total revenues					
Expenditures:					
Current:					
Legislative	234,447	-	17,525	-	251,972
General government	242,227	-	12,719	-	254,946
Community and economic development	7,502	-	-	-	7,502
Public safety	-	233,257	146,763	7,309	387,329
Public works	395,621	-	-	-	395,621
Recreation and cultural	57,430	-	-	-	57,430
Capital outlay	40,043	-	-	-	40,043
	<u>977,270</u>	<u>233,257</u>	<u>177,007</u>	<u>7,309</u>	<u>1,394,843</u>
Total expenditures					
Net Change in Fund Balances	387,832	32,183	79,154	10,061	509,230
Fund Balances - April 1, 2006	<u>1,799,782</u>	<u>245,701</u>	<u>277,256</u>	<u>111,290</u>	<u>2,434,029</u>
Fund Balances - March 31, 2007	<u>\$ 2,187,614</u>	<u>\$ 277,884</u>	<u>\$ 356,410</u>	<u>\$ 121,351</u>	<u>\$ 2,943,259</u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of to the Statement of Activities For The Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 509,230
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	40,043
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(132,190)</u>
Changes in Net Assets - Governmental Activities	<u><u>\$ 417,083</u></u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Proprietary Fund Statement of Net Assets March 31, 2007

<u>Assets</u>	<u>Sewer</u>
Current assets:	
Cash and cash equivalents	\$ 1,523,630
Accounts receivable	203,665
Due from other governmental units	40,138
Taxes receivable	<u>7,415</u>
Total current assets	1,774,848
Noncurrent assets,	
Investment in joint venture	<u>557,426</u>
Total assets	<u><u>\$ 2,332,274</u></u>
 <u>Liabilities and Fund Equity</u>	
Liabilities,	
Accounts payable	53,881
Net assets,	
Fund balance - undesignated	<u>2,278,393</u>
Total liabilities and net assets	<u><u>\$ 2,332,274</u></u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Proprietary Fund Statement of Revenues, Expenditures and Changes in Fund Balance For The Year Ended March 31, 2007

	<u>Sewer</u>
Operating Revenues:	
Service income	\$ 810,596
Tap-in fees	<u>510,820</u>
Total revenues	\$ 1,321,416
Cost of Goods Sold:	
Contracted services	147,196
Treatment expenses	<u>277,027</u>
Total cost of goods sold	<u>424,223</u>
Gross profit	897,193
Operating Expenses:	
Insurance	8,520
Professional services	29,660
Administrative expenses	2,417
Operating and maintenance contributions	13,000
Reserve for repair and replacement contributions	37,452
Maintenance expenses	690
Meter expenses	3,470
Office expenses	1,311
Sewer board expenses	<u>3,200</u>
Total operating expenses	<u>99,720</u>
Operating income	797,473
Nonoperating Revenue (Expenses)	
Interest income	19,843
Debt service	(155,723)
Net loss from joint venture	<u>(201,210)</u>
Total nonoperating revenues (expenses)	<u>(337,090)</u>
Net Change in Fund Balance	460,383
Fund Balances - April 1, 2006	<u>1,818,010</u>
Fund Balances - March 31, 2007	<u><u>\$ 2,278,393</u></u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Proprietary Fund Statement of Cash Flows For The Year Ended March 31, 2007

	<u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 1,377,584
Payments for goods and services	<u>523,943</u>
Net cash provided by operating activities	853,641
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contribution by townships to defray interest and bond fee expenses	(155,723)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>19,843</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	717,761
 CASH AND CASH EQUIVALENTS, April 1, 2006	<u>805,869</u>
 CASH AND CASH EQUIVALENTS, March 31, 2007	<u><u>\$ 1,523,630</u></u>
 COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 1,523,630</u></u>
 RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 757,335
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in accounts receivable	53,119
Increase in taxes receivable	(147)
Increase in due from other governmental units	(40,138)
Increase in accounts payable and due to other units	<u>43,334</u>
Net cash provided by operating activities	<u><u>\$ 853,641</u></u>

The accompanying notes are a part of the financial statements.

Bear Creek Township

Fiduciary Fund Statement of Net Assets March 31, 2007

Assets

Cash

\$ 44,887

Liabilities

Due to other funds

\$ 44,887

The accompanying notes are a part of the financial statements.

Bear Creek Township

Fiduciary Fund Statement of Changes in Net Assets For The Year Ended March 31, 2007

Additions:

Property tax collections for:

Primary government	\$ 773,559
Other governments	10,358,072
Component unit	162,151
Interest earnings	<u>29,680</u>

Total additions	<u>11,323,462</u>
-----------------	-------------------

Deductions:

Property tax distributions to:

Primary government	812,567
Other governments	10,358,072
Component unit	<u>162,151</u>

Total distributions	<u>11,332,790</u>
---------------------	-------------------

Change in Net Assets	<u>(9,328)</u>
-----------------------------	----------------

Fiduciary Net Assets - April 1, 2006	<u>9,328</u>
---	--------------

Fiduciary Net Assets - March 31, 2007	<u><u>\$ -</u></u>
--	--------------------

The accompanying notes are a part of the financial statements.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bear Creek Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Bear Creek Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), building inspection, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has one component unit.

Discretely Presented Component Units - Bear Creek Township, in a joint venture with adjacent Springvale Township, created the Springvale – Bear Creek Sewage Disposal Authority for the purpose of providing a portion of each Township with a sewage collection system. Financing of the system included, in part, the issuance of Authority Bonds. Under the terms of a contractual agreement between the Townships and the Authority, the Townships have agreed to reimburse the Authority all debt service costs associated with the bond issue and the debt service costs are payable solely from such payments. Payments to the Authority are required annually on the first of each February in an amount equal to the bond interest, principal and service costs payable within the ensuing year.

The Townships have agreed to include in their annual property tax levy an amount sufficient to make the stipulated annual bond interest and principal payments. The full faith and credit of the Townships and an amount not exceeding 25 percent of the monies each unit receives annually as a return of state sales tax are pledged for payment of the debt service costs.

In addition, the Townships are responsible for billings to sewage customers located within their boundaries.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

The Township's share of the net loss transferred to retained earnings and decrease in net equity in the Springvale – Bear Creek Sewage Disposal Authority for the Authority's year end of December 31, 2006, have been recorded in the proprietary fund statement of revenues, expenditures and changes in fund balance.

A copy of the separate audited financial statements of the Springvale – Bear Creek Sewage Disposal Authority may be obtained directly from the Bear Creek Treasurer, Division Road, Petoskey, Michigan 49770.

Jointly Governed Organization - The Township, in a joint venture with adjacent Resort Township, has formed the Resort – Bear Creek Townships' Volunteer Fire Department to better serve the area of these two townships with fire protection. The expenditures of the Fire Department are reimbursed by the two townships.

The financial statements of Resort – Bear Creek Townships' Volunteer Fire Department have been blended into these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue for the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Operating Fund – The Fire Operating Fund accounts for all activities of the Township's fire department, except for the purchase of equipment.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

Building Inspection Fund – The Building Inspection Fund accounts for the activities of the building department.

Agency and Tax Collection Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township also reports the following nonmajor governmental funds:

Liquor Control Fund – The Liquor Control Fund accounts for the activities of liquor control inspection within the Township.

Light District Fund – The Light District Fund accounts for the resources used for providing street lighting.

The Township reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be demand deposits, savings accounts, certificates of deposits and investments with original maturities of one year or less from date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5-10 years
Land Improvements	15 years
Building Improvements	20 years

Compensated Absences

The Township has a vacation leave policy for its full time employees. The employees are required to use vacation time during the period allocated. Employees are not allowed to accumulate unused vacation leave.

Long-term Obligations

As of March 31, 2007, the Township had no outstanding long-term debt from governmental activities.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007, the Township incurred expenditures in the General Fund budget line items in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
Legislative	222,000	234,447	12,447

Accumulated Fund Deficits

The Bear Creek Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2007.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

State Construction Code Act

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2006	\$ 277,256
Current year building permit revenue	\$ 253,882
Interest revenue	2,279
Related Expenditures	<u>(177,007)</u>
Net surplus for the year ended March 31, 2007	<u>79,154</u>
Cumulative surplus at March 31, 2007	<u><u>\$ 356,410</u></u>

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash in banks – At March 31, 2007 the carrying amount of the Township's deposits was \$2,087,573.

Investments – The carrying amount of the Township's cash equivalents as of March 31, 2007 consisted of certificates of deposit totaling \$717,105.

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$512,842 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$2,291,836 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 15. The Township bills and collects its own property taxes, as well as taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to the State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

The tax rates are summarized as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General governmental operations (allocated)	0.9900 per \$1000
General governmental operations (voted)	0.9900 per \$1000
Fire protection	0.4950 per \$1000
Light district	0.3000 per \$1000

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of April 1, 2006	Additions	Disposal	Balance of March 31, 2007
Capital assets not depreciated				
Land	\$ 1,006,097	\$ -	\$ -	\$ 1,006,097
Capital assets being depreciated				
Land improvements	43,657	-	-	43,657
Buildings	780,258	-	-	780,258
Building improvements	138,792	7,444	-	146,236
Equipment and furniture	428,977	9,674	-	438,651
Safety Equipment	983,184	22,925	-	1,006,109
Total capital assets being depreciated	2,374,868	40,043	-	2,414,911
Less: accumulated depreciation	1,100,727	132,190	-	1,232,917
Total capital assets	<u>\$ 2,280,238</u>	<u>\$ (92,147)</u>	<u>\$ -</u>	<u>\$ 2,188,091</u>

Depreciation expense was charged to the Township's functions as follows:

	Amount
General Government	\$ 31,579
Public Safety	100,611
	<u>\$ 132,190</u>

NOTE 6 – RECEIVABLES AND PAYABLES

Receivables for the primary government at March 31, 2007 are as follows:

	General Fund	Trust and Agency Fund
Interfund Receivable	\$ 38,944	\$ -
Interfund Payable	-	38,944
	<u>\$ 38,944</u>	<u>\$ 38,944</u>

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 7 – LONG-TERM DEBT

The Township had no outstanding long-term debt for governmental activities as of March 31, 2007.

Component Unit:

The following is a summary of long-term debt transactions for the year ended December 31, 2006:

	<u>2006</u>
Long-term debt payable, beginning of year	\$ 290,000
Long-term debt retired	<u>(65,000)</u>
Long-term debt payable, end of year	<u>\$ 225,000</u>

Long-term debt consists of the following at December 31, 2006:

\$1,310,000 Series 1989 Refunding Bonds
due in annual installments of \$65,000
to \$95,000 plus interest of 7.500 to 7.625
percent. The bonds mature on March 1, 2009. \$ 225,000

The annual requirements to amortize all debt outstanding as of December 31, 2006, including interest payments of \$27,981 are as follows:

<u>Year ending December 31</u>	
2007	79,637
2008	74,722
2009	<u>98,622</u>
Total	<u>\$ 252,981</u>

Bear Creek Township

Notes To Financial Statements For The Year Ended March 31, 2007

NOTE 8 – PENSION PLAN

Elected members of the Township board are eligible to participate in the Bear Creek Township Pension Plan administered by the John Hancock Life Insurance Company, a defined contribution plan. There are no unfunded liabilities. The Township is required to contribute 20 percent of each participant's annual compensation. Participant contributions are not required, but voluntary non-deductible contributions are allowed. Pension expenses totaled \$11,387 for the year.

NOTE 9 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The General Fund balance has designated \$60,000 for a fire equipment sinking fund and \$135,000 for a parks and recreation sinking fund.

The Fire Fund has \$277,884 restricted for public safety.

The Building Inspection has \$356,410 designated for public safety.

The Liquor Inspection Fund has \$113,098 designated for public safety.

The Light District Fund has \$8,253 restricted for public safety.

NOTE 9 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workers' compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

Bear Creek Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Taxes:				
Property tax collections	\$ 675,700	\$ 675,700	\$ 692,383	\$ 16,683
Tax collection fees	129,100	129,100	131,364	2,264
State shared revenues	367,200	359,200	368,254	9,054
Local contributions	-	-	59,900	59,900
Interest	15,000	15,000	68,561	53,561
Refunds	3,000	3,000	41,730	38,730
Other income	3,000	3,000	2,910	(90)
	<u>1,193,000</u>	<u>1,185,000</u>	<u>1,365,102</u>	<u>180,102</u>
Total revenues				
	1,193,000	1,185,000	1,365,102	180,102
Expenditures:				
Legislative				
Personal services	35,000	35,000	34,678	(322)
Pension plan	13,000	13,000	11,387	(1,613)
Payroll taxes	15,000	15,000	15,923	923
Professional services	70,000	70,000	83,305	13,305
Insurance and bonds	14,000	14,000	20,013	6,013
Employee benefits	13,000	13,000	12,690	(310)
Printing and publishing	4,000	4,000	3,666	(334)
Travel	3,000	3,000	1,592	(1,408)
Supplies	5,000	5,000	6,484	1,484
Misc.	50,000	50,000	44,709	(5,291)
	<u>222,000</u>	<u>222,000</u>	<u>234,447</u>	<u>12,447</u>
Total legislative				
	222,000	222,000	234,447	12,447
General Government				
Township Supervisor				
Personal services	11,025	11,025	10,981	(44)
Township Assessor				
Personal services	49,100	49,100	47,162	(1,938)
Supplies	7,000	7,000	6,673	(327)
	<u>56,100</u>	<u>56,100</u>	<u>53,835</u>	<u>(2,265)</u>
Total township assessor				
	56,100	56,100	53,835	(2,265)

Bear Creek Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Township Clerk				
Personal services	20,200	20,200	20,575	375
Supplies	1,000	1,000	1,800	800
Total township clerk	21,200	21,200	22,375	1,175
Township Board of Review	1,500	1,500	1,044	(456)
Township Treasurer				
Personal services	17,000	20,200	17,250	(2,950)
Supplies	8,000	8,000	11,110	3,110
Total township treasurer	25,000	28,200	28,360	160
Elections				
Personal services	10,000	10,000	9,711	(289)
Building & Grounds				
Personal services	8,200	8,200	8,507	307
Communications	4,000	4,000	2,781	(1,219)
Utilities	11,000	11,000	8,752	(2,248)
Waste & snow removal	20,000	20,000	19,234	(766)
Spring cleanup	65,000	65,000	68,286	3,286
Maintenance	10,000	10,000	7,899	(2,101)
Miscellaneous	500	500	462	(38)
Total building and grounds	118,700	118,700	115,921	(2,779)
Total General Government	<u>243,525</u>	<u>236,725</u>	<u>242,227</u>	<u>5,502</u>
Community & Economic Development				
Personal services	7,000	14,000	4,612	(9,388)
Professional services	5,000	5,000	2,880	(2,120)
Supplies	-	-	10	10
Total community & economic development	12,000	19,000	7,502	(11,498)
Recreation and Culture				
Library, recreation and airport	57,000	57,000	57,430	430

Bear Creek Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Public Works				
Improvements	500,000	500,000	391,845	(108,155)
Repairs and maintenance	2,500	2,500	3,776	1,276
Total public works	502,500	502,500	395,621	(106,879)
Capital Outlay				
Building improvements	20,000	20,000	7,444	(12,556)
Equipment	12,000	12,000	9,674	(2,326)
Fire equipment	-	12,000	22,925	10,925
Total capital outlay	32,000	44,000	40,043	(3,957)
Total expenditures	1,047,025	1,062,225	977,270	(113,955)
Net Change in Fund Balance	145,975	122,775	387,832	265,057
Fund Balance - April 1, 2006	1,799,782	1,799,782	1,799,782	-
Fund Balance - March 31, 2007	<u>\$ 1,945,757</u>	<u>\$ 1,922,557</u>	<u>\$ 2,187,614</u>	<u>\$ 265,057</u>

Bear Creek Township

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Fire Fund
For The Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Taxes				
Property taxes	\$ 165,000	\$ 165,000	\$ 182,708	\$ 17,708
Contributions from townships	270,841	270,841	80,927	(189,914)
Interest	-	-	1,805	1,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	435,841	435,841	265,440	(170,401)
Expenditures:				
Public Safety				
Operating expenses	<u>431,473</u>	<u>431,473</u>	<u>233,257</u>	<u>(198,216)</u>
Net Change in Fund Balance	4,368	4,368	32,183	27,815
Fund Balance - April 1, 2006	<u>245,701</u>	<u>245,701</u>	<u>245,701</u>	<u>-</u>
Fund Balance - March 31, 2007	<u>\$ 250,069</u>	<u>\$ 250,069</u>	<u>\$ 277,884</u>	<u>\$ 27,815</u>

Bear Creek Township

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Building Inspection Fund For The Year Ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenues:				
Licenses and permits	\$ 250,000	\$ 250,000	\$ 253,882	\$ 3,882
Interest	-	-	2,279	2,279
Total revenues	250,000	250,000	256,161	6,161
Expenditures:				
Legislative				
Payroll taxes	14,000	14,000	11,059	(2,941)
Employee benefits	3,500	3,500	4,334	834
Travel expenses	1,500	1,500	2,132	632
Total legislative	19,000	19,000	17,525	(1,475)
General Government Board of Review	-	-	350	350
Building & Grounds				
Personal services	2,000	2,000	2,846	846
Communications	2,000	2,000	1,057	(943)
Utilities	4,200	4,200	4,036	(164)
Waste & snow removal	4,000	4,000	3,888	(112)
Maintenance	4,000	4,000	542	(3,458)
Total building and grounds	16,200	16,200	12,369	(3,831)
Total General Government	16,200	16,200	12,719	(3,481)
Public Safety Building Inspector				
Personal services	140,000	140,000	127,632	(12,368)
Supplies	5,000	5,000	4,212	(788)
Secretary wages	15,000	15,000	14,919	(81)
Total public safety	160,000	160,000	146,763	(13,237)
Total expenditures	195,200	195,200	177,007	(18,193)
Net Change in Fund Balance	54,800	54,800	79,154	24,354
Fund Balance - April 1, 2006	277,256	277,256	277,256	-
Fund Balance - March 31, 2007	<u>\$ 332,056</u>	<u>\$ 332,056</u>	<u>\$ 356,410</u>	<u>\$ 24,354</u>

Bear Creek Township

Other Supplemental Information Balance Sheet - Nonmajor Governmental Funds March 31, 2007

<u>Assets</u>	<u>Liquor</u>	<u>Light District</u>	<u>Total</u>
Cash and cash equivalents	\$ 113,098	\$ 7,525	\$ 120,623
Taxes receivable	-	1,204	1,204
Total assets	<u>\$ 113,098</u>	<u>\$ 8,729</u>	<u>\$ 121,827</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	\$ -	\$ 476	\$ 476
Fund Balance:			
Designated	<u>113,098</u>	<u>8,253</u>	<u>121,351</u>
Total fund balance	<u>113,098</u>	<u>8,253</u>	<u>121,351</u>
Total liabilities and fund equity	<u>\$ 113,098</u>	<u>\$ 8,729</u>	<u>\$ 121,827</u>

Bear Creek Township

Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For The Year Ended March 31, 2007

	<u>Liquor Fund</u>	<u>Light District Fund</u>	<u>Total</u>
Revenues:			
Property taxes	\$ -	\$ 7,618	\$ 7,618
Licenses and permits	5,668	-	5,668
Interest income	4,020	64	4,084
	<u>9,688</u>	<u>7,682</u>	<u>17,370</u>
Total revenues	9,688	7,682	17,370
Expenditures:			
Public Safety			
Liquor inspector:			
Personal services	875	-	875
Taxes	67	-	67
Supplies	212	-	212
Street lighting	-	6,155	6,155
	<u>1,154</u>	<u>6,155</u>	<u>7,309</u>
Total expenditures	1,154	6,155	7,309
Net Change in Fund Balance	8,534	1,527	10,061
Fund Balance - April 1, 2006	<u>104,564</u>	<u>6,726</u>	<u>111,290</u>
Fund Balance - March 31, 2007	<u><u>\$ 113,098</u></u>	<u><u>\$ 8,253</u></u>	<u><u>\$ 121,351</u></u>

Bear Creek Township

Statement of Tax Levy and Collections March 31, 2007

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Remitted Collections</u>	<u>Returned Delinquent</u>	<u>Balance Due Units</u>
Emmet County:					
Operational	4.8500	\$ 1,747,267	\$ 1,636,029	\$ 111,238	\$ -
Senior Citizens	0.5000	179,974	164,972	15,002	-
Medical Care Facility	0.4802	172,925	158,436	14,489	-
EMS	0.1479	53,247	48,236	5,011	-
Petoskey Public Schools	21.1593	4,891,321	4,489,303	402,018	-
Char-Emmet ISD	2.5562	990,712	907,626	83,086	-
North Central Michigan College	2.2783	820,472	751,551	68,921	-
Greenwood Cemetery	0.4700	169,224	154,741	14,483	-
SET	6.0000	2,135,025	2,047,178	87,847	-
Township:					
General	1.9702	705,139	649,944	55,195	-
Fire Fund	0.4925	177,358	162,151	15,207	-
Light District	0.3000	7,618	6,414	1,204	-
Tax Collection Fees		119,973	96,381	8,385	15,207
Delinquent Sewer		22,356	14,941	7,415	-
Interest Income		29,680	-	-	29,680
Total	<u>41.2046</u>	<u>\$ 12,222,291</u>	<u>\$ 11,287,903</u>	<u>\$ 889,501</u>	<u>\$ 44,887</u>
Percent of Levy Collected		<u>92%</u>			

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

August 31, 2007

To the Township Board
Bear Creek Township
Petoskey, Michigan

In planning and performing our audit of the financial statements of Bear Creek Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Bear Creek Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Segregation of Duties

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

Preparation of Financial Statements

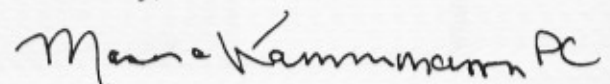
During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mason & Kammermann PC", written in a cursive style.

Mason & Kammermann, P.C.
Certified Public Accountants